Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Baraga County Memorial Hospital	Baraga

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
9/30/07	12/5/07	2/6/08

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☐	☒	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☐	☒	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Plante & Moran, PLLC	231-947-7800		
Street Address	**City**	**State**	**Zip**
600 E. Front Street, Suite 300	Traverse City	MI	49686
Authorizing CPA Signature	**Printed Name**	**License Number**	
	Michael A. Baker	1101017229	

Baraga County Memorial Hospital

Financial Report
with Additional Information
September 30, 2007

Baraga County Memorial Hospital

Contents

Independent Auditor's Report

To the Board of Trustees
Baraga County Memorial Hospital

We have audited the accompanying balance sheet of the business-type activities and the aggregate discretely presented component unit of Baraga County Memorial Hospital (a component unit of Baraga County) (collectively, the "Corporation") as of September 30, 2007 and 2006 and the related statements of revenues, expenses, and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Baraga County Memorial Hospital at September 30, 2007 and 2006 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

December 5, 2007

Baraga County Memorial Hospital

Balance Sheet

	September 30, 2007		September 30, 2006	
	Hospital	Component Unit	Hospital	Component Unit
Assets				
Current Assets				
Cash and cash equivalents (Note 2)	$ 2,426,768	$ 141,345	$ 2,339,243	$ 160,748
Accounts receivable (Note 3)	2,712,796	221,867	2,905,040	206,303
Notes and advances to affiliates	276,715	-	228,664	-
Estimated third-party settlements receivable (Note 4)	385,373	-	433,595	-
Inventories	162,015	30,122	163,068	31,180
Other current assets	165,636	60,835	275,260	65,680
Total current assets	6,129,303	454,169	6,344,870	463,911
Property and Equipment - Net (Note 5)	3,909,214	1,955,006	4,743,465	2,144,487
Total assets	**$ 10,038,517**	**$ 2,409,175**	**$ 11,088,335**	**$ 2,608,398**
Liabilities and Net Assets (Deficit)				
Current Liabilities				
Current maturities of long-term debt (Note 6)	$ 306,162	$ 165,759	$ 296,074	$ 159,949
Accounts payable	384,213	82,089	370,834	48,992
Estimated third-party settlements (Note 4)	-	77,748	410,057	39,710
Due to affiliate	-	276,715	-	228,664
Accrued liabilities and other	1,387,019	191,599	1,446,643	205,561
Total current liabilities	2,077,394	793,910	2,523,608	682,876
Long-term Debt - Net of current portion (Note 6)	841,716	1,910,671	1,147,878	2,076,430
Total liabilities	2,919,110	2,704,581	3,671,486	2,759,306
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	2,761,336	(121,424)	3,299,513	(91,892)
Unrestricted	4,358,071	(173,982)	4,117,336	(59,016)
Total net assets (deficit)	7,119,407	(295,406)	7,416,849	(150,908)
Total liabilities and net assets (deficit)	**$ 10,038,517**	**$ 2,409,175**	**$ 11,088,335**	**$ 2,608,398**

See Notes to Financial Statements.

Baraga County Memorial Hospital

Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)

	Year Ended September 30			
	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Operating Revenues				
Net patient service revenue	$ 16,941,352	$ 3,584,046	$ 15,971,316	$ 3,575,234
Other operating revenue	1,208,407	17,862	1,192,370	19,803
Total operating revenues	18,149,759	3,601,908	17,163,686	3,595,037
Operating Expenses				
Salaries	8,656,906	1,959,637	8,355,347	1,920,939
Employee benefits	2,880,838	302,726	2,295,785	278,818
Supplies	2,093,735	398,495	1,997,606	331,164
Professional services	452,473	160,691	421,857	159,975
Purchased services	1,577,369	223,317	1,213,854	100,602
Utilities	399,307	123,039	370,161	116,283
Repairs and maintenance	258,355	23,997	309,288	17,075
Depreciation and amortization	907,356	199,417	912,998	202,338
Miscellaneous	1,384,793	464,978	1,225,821	481,994
Total operating expenses	18,611,132	3,856,297	17,102,717	3,609,188
Income (Loss) from Operations	(461,373)	(254,389)	60,969	(14,151)
Nonoperating Revenues (Expenses)				
Investment income	67,013	4,443	49,089	7,000
Contributions	12,412	499	8,315	6,985
County tax proceeds (Note 6)	314,672	-	275,573	-
Loss on sale of property and equipment	-	-	(2,759)	-
Interest expense	(45,166)	(80,051)	(55,090)	(85,852)
Net nonoperating revenues (expenses)	348,931	(75,109)	275,128	(71,867)
Excess of Revenues Over (Under) Expenses	(112,442)	(329,498)	336,097	(86,018)
Transfer from (to) Affiliate	(185,000)	185,000	(37,696)	37,696
Increase (Decrease) in Net Assets	(297,442)	(144,498)	298,401	(48,322)
Net Assets (Deficit) - Beginning of year	7,416,849	(150,908)	7,118,448	(102,586)
Net Assets (Deficit) - End of year	**$ 7,119,407**	**$ (295,406)**	**$ 7,416,849**	**$ (150,908)**

See Notes to Financial Statements.

Baraga County Memorial Hospital

Statement of Cash Flows

	Year Ended September 30			
	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Cash Flows from Operating Activities				
Cash received from patients	$ 16,913,439	$ 3,568,482	$ 15,789,791	$ 3,652,218
Cash paid to employees and suppliers	(18,058,921)	(3,363,799)	(16,337,787)	(3,489,118)
Other cash receipts	1,208,407	17,862	1,168,232	19,803
Net cash provided by operating activities	62,925	222,545	620,236	182,903
Cash Flows from Noncapital Financing Activities - Contributions	12,412	499	8,315	6,985
Cash Flows from Investing Activities - Interest on investments	67,013	4,443	49,089	7,000
Cash Flows from Capital and Related Financing Activities				
Purchase of property and equipment	(63,585)	(6,890)	(633,781)	-
Payments on long-term debt	(296,074)	(159,949)	(286,230)	(154,148)
Interest paid	(45,166)	(80,051)	(55,090)	(85,852)
Proceeds from county tax levy	350,000	-	350,000	-
Proceeds from sale of property and equipment	-	-	2,683	-
Net cash used in capital and related financing activities	(54,825)	(246,890)	(622,418)	(240,000)
Net Increase (Decrease) in Cash and Cash Equivalents	87,525	(19,403)	55,222	(43,112)
Cash and Cash Equivalents - Beginning of year	2,339,243	160,748	2,284,021	203,860
Cash and Cash Equivalents - End of year	**$ 2,426,768**	**$ 141,345**	**$ 2,339,243**	**$ 160,748**

See Notes to Financial Statements.

Baraga County Memorial Hospital

Statement of Cash Flows (Continued)

	Year Ended September 30			
	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Reconciliation of Income (Loss) from Operations to Net Cash from Operating Activities				
Income (loss) from operations	$ (461,373)	$ (254,389)	$ 60,969	$ (14,151)
Adjustments to reconcile income (loss) from operations to net cash from operating activities:				
Provision for bad debts	492,755	-	465,283	(31,694)
Depreciation	897,836	196,371	906,152	199,295
Amortization	9,520	3,043	-	-
(Increase) decrease in assets:				
Accounts receivable	(542,521)	(15,564)	(624,630)	108,678
Estimated third-party settlements receivable	48,222	-	(22,178)	-
Due from affiliate	(26,369)	-	-	-
Inventories	1,053	1,058	38,264	(18,245)
Prepaid expenses and other	100,104	1,802	(70,654)	(334)
Increase (decrease) in liabilities:				
Accounts payable	13,379	33,097	(155,472)	(119,105)
Accrued expenses	(59,624)	(13,962)	69,961	32,208
Estimated third-party settlements payable	(410,057)	38,038	(47,459)	26,251
Due to affiliate	-	233,051	-	-
Net cash provided by operating activities	**$ 62,925**	**$ 222,545**	**$ 620,236**	**$ 182,903**

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity and Corporate Structure - Baraga County Memorial Hospital (the "Hospital") provides inpatient, outpatient, and long-term care services primarily to the residents of Baraga County. The Hospital is a not-for-profit corporation established in accordance with Public Act 230 (County Health Facilities Corporation Act) of the State of Michigan Statutes of 1987 and is a component unit of Baraga County. It is governed by the board of trustees, which is empowered to do all things necessary for the proper operation of the Hospital. The County Board of Commissioners appoints the board of trustee members. For this reason, the Hospital is a component unit of Baraga County.

The Hospital is the sole member of Baraga County Extended Care Corporation (BCECC), which is a not-for-profit corporation established in accordance with Public Act 230. Baraga County Extended Care Corporation has two divisions: Dr. Louis and Anne Guy Bayside Village (Bayside Village), which owns and operates a 59-bed skilled nursing facility in L'Anse, Michigan, and Baraga County Home Helpers, which provides nonmedical services to homebound patients. Baraga County Home Helpers was closed during the year ended September 30, 2006.

Basis of Presentation - The financial statements include accounts of Baraga County Memorial Hospital and its component unit, Baraga County Extended Care Corporation (collectively referred to as the "Corporation"). The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued in June 1999. The Corporation follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Corporation's financial activities.

Proprietary Fund Accounting - The Corporation utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual. The Corporation has elected not to apply the provisions of any relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments with an original maturity of three months or less.

Inventories - Inventories are stated at the lower or cost of market. Cost is determined primarily by the first-in, first-out method.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment acquisitions are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of related assets. Costs of maintenance and repairs are charged to expense as incurred.

Paid Time Off - The Corporation maintains a paid time-off benefit policy. The benefits are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Retirement Plans - All exempt Hospital employees hired after May 1, 2001, as well as exempt employees who elected to change, are covered under a defined contribution plan that was established during the year ended September 30, 2001. Substantially all other Hospital employees maintain coverage under the Michigan Municipal Employees' Retirement System noncontributory defined benefit plan. The Hospital's policy is to fund the defined benefit pension plan at actuarially determined amounts.

Professional Liability Insurance - The Hospital accrues the estimated ultimate expenses, including litigation and settlement expense, for any reported and unreported incidents of alleged improper professional service during the year that are in excess of applicable insurance coverage or fall within the applicable deductible amounts.

Net Assets - Net assets of the Corporation are classified into two components. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation and reduced by the balance of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or are otherwise restricted.

Net Patient Service Revenue - The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and provisions for bad debt. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Note 1 - Summary of Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care - The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care amounts to less than 1 percent of patients served.

Operating Revenues and Expenses - The Corporation's statement of revenues, expenses, and changes in net assets (deficit) distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services - the Corporation's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Tax Status - The Corporation is tax exempt under the Internal Revenue Code and, accordingly, no tax provision is reflected in the financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Corporation has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investment vehicles under state statutory authority as listed above. The Corporation's deposits and investment policies are in accordance with statutory authority.

Note 2 - Deposits and Investments (Continued)

The Corporation's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. At September 30, 2007, the Hospital and the component unit had $2,279,345 and $52,470, respectively, of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. At September 30, 2006, the Hospital and the component unit had $2,176,874 and $143,454, respectively, of bank deposits that were uninsured and uncollateralized. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Corporation evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Corporation's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At September 30, 2007, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government obligations fund	$ 114,691	One month

At September 30, 2006, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government obligations fund	$ 109,658	One month

Note 2 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Corporation has no investment policy that would further limit its investment choices.

As of September 30, 2007, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government obligations fund	$ 114,691	AAA	Fitch

As of September 30, 2006, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government obligations fund	$ 109,658	AAA	Fitch

Note 3 - Accounts Receivable and Concentration of Credit Risk

Accounts receivable consist of the following:

	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Patient accounts receivable	$ 4,211,144	$ 553,747	$ 3,941,641	$ 348,065
Allowance for uncollectible accounts	(787,309)	(23,000)	(719,311)	(23,000)
Allowance for contractual adjustments and interim payment advances	(1,345,539)	(320,420)	(1,139,958)	(141,113)
Patient accounts receivable - Net	2,078,296	210,327	2,082,372	183,952
Due from Baraga County (Note 6)	604,589	-	639,917	-
Other accounts receivable	29,911	11,540	182,751	22,351
Total accounts receivable	$ 2,712,796	$ 221,867	$ 2,905,040	$ 206,303

Note 3 - Accounts Receivable and Concentration of Credit Risk (Continued)

The Corporation is located in L'Anse, Michigan. The Corporation grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-payors is as follows:

	Percentage			
	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Medicare	32	9	32	7
Blue Cross	18	-	22	
Medicaid	12	81	13	86
Commercial	20	-	15	-
Patients	18	10	18	7
Total	100	100	100	100

Note 4 - Estimated Third-party Settlements

The Corporation has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. The Corporation receives approximately 84 percent of net patient service revenue under agreements with third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

- **Medicare** - The Hospital is designated as a critical access hospital under Medicare regulations. As such, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries. Long-term care services are reimbursed at prospectively determined rates per patient day.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.
- **Blue Cross** - Services rendered to Blue Cross subscribers are reimbursed at controlled charges.

Note 4 - Estimated Third-party Settlements (Continued)

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Note 5 - Property and Equipment

Cost of capital assets, property, and equipment and related depreciable lives as of September 30, 2007 are summarized below:

	Hospital					
	2006	Additions	Transfers	Retirements	2007	Depreciable Life - Years
Land	$ 28,228	$ -	$ -	$ -	$ 28,228	-
Land improvements	549,723	-	-	-	549,723	10-20
Buildings	9,034,476	-	-	-	9,034,476	10-50
Equipment	4,690,852	63,585	-	(2,290)	4,752,147	3-20
Total	14,303,279	63,585	-	(2,290)	14,364,574	
Less accumulated depreciation:						
Land and land improvements	254,623	35,736	-	-	290,359	
Building and improvements	5,959,377	410,774	-	-	6,370,151	
Equipment	3,345,814	451,326	-	(2,290)	3,794,850	
Total	9,559,814	897,836	-	(2,290)	10,455,360	
Net carrying amount	$ 4,743,465	$ (834,251)	$ -	$ -	$ 3,909,214	

	Component Unit					
	2006	Additions	Transfers	Retirements	2007	Depreciable Life - Years
Land	$ 125,109	$ -	$ -	$ -	$ 125,109	-
Land improvements	49,795	-	-	-	49,795	10-20
Buildings	3,001,654	-	-	-	3,001,654	10-50
Equipment	301,433	6,890	-	-	308,323	3-20
Total	3,477,991	6,890	-	-	3,484,881	
Less accumulated depreciation:						
Land and improvements	34,967	6,355	-	-	41,322	
Building and improvements	1,097,601	166,448	-	-	1,264,049	
Equipment	200,936	23,568	-	-	224,504	
Total	1,333,504	196,371	-	-	1,529,875	
Net carrying amount	$ 2,144,487	$ (189,481)	$ -	$ -	$ 1,955,006	

Note 5 - Property and Equipment (Continued)

Cost of capital assets, property, and equipment and related depreciable lives as of September 30, 2006 are summarized below:

	Hospital					
	2005	Additions	Transfers	Retirements	2006	Depreciable Life - Years
Land	$ 28,228	$ -	$ -	$ -	$ 28,228	-
Land improvements	550,715	-	-	(992)	549,723	10-20
Buildings	8,886,076	148,400	-	-	9,034,476	10-50
Equipment	4,131,796	485,381	101,845	(28,170)	4,690,852	3-20
Construction in progress	101,845	-	(101,845)	-	-	-
Total	13,698,660	633,781	-	(29,162)	14,303,279	
Less accumulated depreciation:						
Land and improvements	223,299	31,324	-	-	254,623	
Building and improvements	5,534,378	424,999	-	-	5,959,377	
Equipment	2,919,705	449,829	-	(23,720)	3,345,814	
Total	8,677,382	906,152	-	(23,720)	9,559,814	
Net carrying amount	$ 5,021,278	$ (272,371)	$ -	$ (5,442)	$ 4,743,465	

	Component Unit					
	2005	Additions	Transfers	Retirements	2006	Depreciable Life - Years
Land	$ 125,109	$ -	$ -	$ -	$ 125,109	-
Land improvements	49,795	-	-	-	49,795	10-20
Buildings	3,001,654	-	-	-	3,001,654	10-50
Equipment	301,433	-	-	-	301,433	3-20
Total	3,477,991	-	-	-	3,477,991	
Less accumulated depreciation:						
Land and improvements	28,612	6,355	-	-	34,967	
Buildings	928,967	168,634	-	-	1,097,601	
Equipment	176,630	24,306	-	-	200,936	
Total	1,134,209	199,295	-	-	1,333,504	
Net carrying amount	$ 2,343,782	$ (199,295)	$ -	$ -	$ 2,144,487	

Note 6 - Long-term Debt

Long-term liability activity for the year ended September 30, 2007 was as follows:

	Hospital				
	2006	Current Year Additions	Current Year Reductions	2007	Current Portion
Long-term debt payable:					
Bank note	$ 1,046,292	$ -	$ (198,626)	$ 847,666	$ 206,020
Bank note	397,660	-	(97,448)	300,212	100,142
Total	$ 1,443,952	$ -	$ (296,074)	$ 1,147,878	$ 306,162

	Component Unit				
	2006	Current Year Additions	Current Year Reductions	2007	Current Portion
Long-term debt payable - Mortgage note	$ 2,236,379	$ -	$ (159,949)	$ 2,076,430	$ 165,759

Long-term liability activity for the year ended September 30, 2006 was as follows:

	Hospital				
	2005	Current Year Additions	Current Year Reductions	2006	Current Portion
Long-term debt payable:					
Bank note	$ 1,237,943	$ -	$ (191,651)	$ 1,046,292	$ 198,626
Bank note	492,239	-	(94,579)	397,660	97,448
Total	$ 1,730,182	$ -	$ (286,230)	$ 1,443,952	$ 296,074

	Component Unit				
	2005	Current Year Additions	Current Year Reductions	2006	Current Portion
Long-term debt payable - Mortgage note	$ 2,390,527	$ -	$ (154,148)	$ 2,236,379	$ 159,949

Note 6 - Long-term Debt (Continued)

The long-term liabilities are summarized as follows:

- Bank note due in monthly payments of $19,500, including interest at 3.7 percent through January 2009. Thereafter, the monthly payment will be recomputed with interest at the prime rate, as determined by the Wall Street Journal, plus 1.25 percent over the remaining life of the loan, which matures in March 2013. This note is collateralized by substantially all assets of the Hospital.
- Bank note due in monthly payments of $8,929, including interest at a variable rate of base savings rate, as determined by Commercial National Bank of L'Anse, Michigan, plus 1.25 percent, an effective rate of 2.74 percent at September 30, 2007. This note matures August 25, 2010 and is collateralized by a savings account required on an annual basis to match the payoff on the loan.
- Mortgage note due in monthly payments of $20,000, including interest at 3.7 percent through January 2009. Thereafter, the monthly payment will be recomputed with the interest at the prime rate, as determined by the Wall Street Journal, plus 1.25 percent over the remaining life of the loan, which matures in June 2018. This note is collateralized by substantially all assets of BCECC and a guarantee of the Hospital.

The following is a schedule by years of debt principal and interest as of September 30, 2007:

	Hospital		Component Unit	
	Debt Payable	Debt Interest	Debt Payable	Debt Interest
2008	$ 306,162	$ 34,990	$ 165,759	$ 74,241
2009	316,805	24,347	172,207	67,793
2010	318,791	13,432	178,688	61,312
2011	206,120	3,761	185,413	54,587
2012	-	-	192,255	47,745
2013-2017	-	-	1,076,083	123,916
2018	-	-	106,025	1,051
Total payments	$ 1,147,878	$ 76,530	$ 2,076,430	$ 430,645

In connection with the bank notes, the Corporation has agreed to certain covenants including submission of monthly financial statements to the banks, limitation in additional debt, and maintenance of certain financial ratios.

Note 6 - Long-term Debt (Continued)

In October 1990, Baraga County (the "County") voters approved a referendum authorizing the County to issue general obligation bonds in the amount of $2,000,000 with the proceeds used to partially finance a Hospital construction project. Debt service on the bonds is being provided by an additional tax of 2.5 mills; the Hospital has no obligation for repayment of the bonds. Tax receipts received by the County from the 2.5 mills that exceed the annual debt service on the bonds are to be utilized by the Hospital for capital expenditures. During the years ended September 30, 2007 and 2006, the excess millage funds amounted to $314,672 and $275,573, respectively, which are shown as nonoperating revenue. At September 30, 2007 and 2006, the Hospital had a receivable of $604,589 and $639,917, respectively, for these funds (see Note 3).

Note 7 - Retirement Plans

The Hospital sponsors both a defined benefit plan and defined contribution plan.

Defined Benefit Plan - The Corporation participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers substantially all non-exempt employees that did not migrate to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 447 North Canal Road, Lansing, Michigan 48917.

Funding Policy - Benefit provisions of the MMERS and employer and employee obligations to contribute are outlined in Act No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investment gains over a 10-year period.

Annual Pension Cost - The Corporation's contributions to the plan amounted to $517,060 and $468,652 in 2007 and 2006, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at September 30, 2007 and 2006.

Note 7 - Retirement Plans (Continued)

Three-year trend information showing the progress of the Hospital's status regarding certain key indicators is as follows:

	December 31		
	2007	2006	2005
Annual Pension Cost (APC)	$ 517,060	$ 468,652	$ 439,538
Percentage of APC contributed	100 %	100 %	100 %
Actuarial value of assets	$ 9,404,162	$ 8,646,403	$ 8,004,820
Actuarial Accrued Liability (AAL) (entry age)	$12,920,375	$12,075,819	$11,817,119
Unfunded Actuarial Accrued Liability (UAAL)	$ (3,516,213)	$ (3,429,416)	$ (3,812,299)
Funded ratio	72.79 %	71.60 %	67.74 %
Covered payroll	$ 5,185,794	$ 4,995,226	$ 5,483,909
UAAL as a percentage of covered payroll	67.80 %	68.65 %	69.52 %

Defined Contribution Plan - The Hospital also maintains a defined contribution plan covering exempt employees hired after May 1, 2001 and all other exempt employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute either 0 percent or 3 percent of their gross earnings and the Hospital will contribute 5.57 percent of gross earnings for participants. The Hospital's contributions to the plan amounted to $139,496 and $124,071 in 2007 and 2006, respectively.

Note 8 - Risk Management

The Corporation is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims as well as medical benefits provided to employees. The Corporation has purchased commercial insurance for property loss, torts, and errors and omissions and participates in the Michigan Hospital Association risk pool for claims related to employee injuries (workers' compensation) and unemployment. Effective October 1, 2004, the Hospital became self-insured for medical benefits provided to employees. The Corporation has purchased a stop loss insurance policy to cover individual medical claims in excess of $50,000. Settled claims relating to commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

Note 8 - Risk Management (Continued)

The Michigan Hospital Association Risk Pool program operates as a common risk-sharing management program for hospitals in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Medical - The Corporation estimates the liability for medical claims that have been incurred through the end of the fiscal year, including both claims that have been reported as well as those that have not yet been reported. These estimates are recorded as a current liability.

Changes in the estimated liability for the years ended September 30, 2007 and 2006 are as follows:

	2007	2006
Estimated claims incurred, including changes in estimates	$ 1,144,982	$ 672,011
Claim payments	(1,144,982)	(672,011)
Estimated liability - End of year	$ -	$ -

Malpractice - The Corporation is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Corporation must pay a deductible toward the cost of litigating or settling any asserted claims. In addition, the Corporation bears the risk of the ultimate costs of any individual claims exceeding the policy limits for claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

Additional Information

To the Board of Trustees
Baraga County Memorial Hospital

We have audited the financial statements of Baraga County Memorial Hospital (a component unit of Baraga County) for the years ended September 30, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying additional information is presented for analysis purposes and is not a required part of the financial statements. The combining schedules have been subjected to the procedures applied in the audits of the financial statements. Such information is not presented in accordance with accounting principles generally accepted in the United States of America as applicable to governmental entities but has been presented in a manner similar to that of not-for-profit healthcare organizations with the elimination of intercompany balances and transactions and the presentation of combined totals.

Plante & Moran, PLLC

December 5, 2007

Baraga County Memorial Hospital

Combining Balance Sheet
September 30, 2007

	Baraga County Memorial Hospital	Bayside Village	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 2,426,768	$ 141,345	$ -	$ 2,568,113
Accounts receivable	2,712,796	221,867	-	2,934,663
Notes and advances to affiliates	276,715	-	-	276,715
Estimated third-party settlements receivable	385,373	-	-	385,373
Inventories	162,015	30,122	-	192,137
Other current assets	165,636	60,835	-	226,471
Total current assets	6,129,303	454,169	-	6,583,472
Property and Equipment - Net	3,909,214	1,955,006	-	5,864,220
Total assets	**$10,038,517**	**$ 2,409,175**	**$ -**	**$12,447,692**
Liabilities and Net Assets (Deficit)				
Current Liabilities				
Current maturities of long-term debt	$ 306,162	$ 165,759	$ -	$ 471,921
Accounts payable	384,213	82,089	-	466,302
Estimated third-party settlements	-	77,748	-	77,748
Due to affiliate	-	276,715	-	276,715
Accrued liabilities and other	1,387,019	191,599	-	1,578,618
Total current liabilities	2,077,394	793,910	-	2,871,304
Long-term Debt - Net of current portion	841,716	1,910,671	-	2,752,387
Total liabilities	2,919,110	2,704,581	-	5,623,691
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	2,761,336	(121,424)	-	2,639,912
Unrestricted	4,358,071	(173,982)	-	4,184,089
Total net assets (deficit)	7,119,407	(295,406)	-	6,824,001
Total liabilities and net assets (deficit)	**$10,038,517**	**$ 2,409,175**	**$ -**	**$12,447,692**

Baraga County Memorial Hospital

Combining Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)
Year Ended September 30, 2007

	Baraga County Memorial Hospital	Bayside Village	Eliminating Entries	Total
Operating Revenues				
Net patient service revenue	$ 16,941,352	$ 3,584,046	$ -	$ 20,525,398
Other operating revenue	1,208,407	17,862	-	1,226,269
Total operating revenues	18,149,759	3,601,908	-	21,751,667
Operating Expenses				
Salaries	8,656,906	1,959,637	-	10,616,543
Employee benefits	2,880,838	302,726	-	3,183,564
Supplies	2,093,735	398,495	-	2,492,230
Professional services	452,473	160,691	-	613,164
Purchased services	1,577,369	223,317	-	1,800,686
Utilities	399,307	123,039	-	522,346
Repairs and maintenance	258,355	23,997	-	282,352
Depreciation and amortization	907,356	199,417	-	1,106,773
Miscellaneous	1,384,793	464,978	-	1,849,771
Total operating expenses	18,611,132	3,856,297	-	22,467,429
Income (Loss) from Operations	(461,373)	(254,389)	-	(715,762)
Nonoperating Revenues (Expenses)				
Investment income	67,013	4,443	-	71,456
Contributions	12,412	499	-	12,911
County tax proceeds	314,672	-	-	314,672
Interest expense	(45,166)	(80,051)	-	(125,217)
Net nonoperating revenues (expenses)	348,931	(75,109)	-	273,822
Excess of Expenses Over Revenues	(112,442)	(329,498)	-	(441,940)
Transfer from (to) Affiliate	(185,000)	185,000	-	-
Decrease in Net Assets	**$ (297,442)**	**$ (144,498)**	**$ -**	**$ (441,940)**

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January 11, 2008

To the Board of Trustees
Baraga County Memorial Hospital

In planning and performing our audit of the financial statements of Baraga County Memorial Hospital as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our observations, comments, and recommendations are enclosed in the following exhibits:

Title	Exhibit
Significant Deficiencies in Internal Control	A
Control Deficiencies	B
New Auditing Standards	C
Community Benefit	D

This communication is intended solely for the information and use of management, the board of trustees, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,
Plante & Moran, PLLC

Michael A. Baker, CPA

Enclosure

Exhibit A
Significant Deficiencies in Internal Control

Segregation of Duties - A key concept in a strong system of internal controls is the segregation of duties. Good segregation of duties will not allow a single individual to have the ability to perpetrate fraud and conceal it. During our audit we noted that segregation of duties could be improved. Currently, the CFO has administrative responsibilities for the information technology (IT) system, allowing her access to all financial areas. We recommend assigning the role of IT Administrator to a nonfinancial-related employee. This will allow for proper restrictions to be put in place for the CFO's access to the system.

Segregation of Duties - Cash Disbursements - A strong system of internal controls requires the appropriate segregation of duties and, under an ideal system, physical access to assets and access to the general ledger should remain separated. In instances where there are not enough staff to adequately segregate duties, compensating controls should be in place to reduce the risk of errors or fraud. Currently, the business office manager, senior accountant, and CFO have access to several of the following activities: create vendors, write checks, post entries, and transfer money between bank accounts. In addition, the senior accountant performs the monthly bank reconciliation. We recommend changes in the system to ensure proper segregation of duties.

The Hospital recently added an additional accountant position. It is expected that the accountant will prepare the bank reconciliation. We recommend setting up the responsibilities of the accountant to allow for proper segregation of duties. To do this, the accountant should not have access to cash, such as receiving payments; access to write checks; or access to make bank transfers. If proper segregation of duties is not attainable, a compensating control (such as review of bank reconciliations by the CFO) should be in place.

Account Reconciliation and Review - A good system of internal accounting control includes timely reconciliation of all major general ledger accounts. During our audit, adjusting entries were made during the audit to reflect accurate balances in the following areas.

- Accrued vacation - The account balance was adjusted to supporting documentation on a regular basis by management. However, through analytic procedures, we noted an error in the supporting documentation related to an employee significantly over the maximum allowable hours that may be accrued. The error resulted in reducing the amount of accrued vacation owed to an employee and an adjustment to the financial statements of approximately $93,000.
- Malpractice accrual - There was one open claim at September 30, 2007 that management concluded not to record a reserve due to minimal action taken by the defendant up until that time. Based on the potential liability that would occur if further action was taken, we concluded to record an additional reserve for this claim in the amount of the remaining deductible of approximately $25,000.

To ensure that all transactions are being properly recorded and that errors and irregularities are identified in a timely manner, the general ledger accounts should be reconciled to detail records on a monthly basis. In addition, accounts should be reviewed for reasonableness to ensure the supporting documentation is correct.

Exhibit A
Significant Deficiencies in Internal Control (Continued)

Financial Statements - Management's Discussion and Analysis (MD&A) - The financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Budgetary System - The Hospital currently does not have a formal budgetary system in place. Budgetary systems are a key component in allowing management to see the areas where spending and revenue has deviated from the amounts originally planned. It also places financial responsibility on the department heads. Implementing a budgetary process will aid in meeting financial goals set by department managers.

Exhibit B
Control Deficiencies

The items presented below were identified as areas for potential improvement in the Hospital's internal control procedures. The vulnerability to internal or external fraud-related activities continues to be a significant focus for management and board members of nonprofit organizations. It is strongly believed that all organizations (small and large) have some level of risk in this area and even having the "best practices" in place will not necessarily prevent the occurrence of this unfortunate activity. Through many recent conversations with our clients regarding their susceptibility to fraud, it was noted the most important element necessary to reduce the risk of fraud is to have a sound organizational structure, which includes sound accounting and internal control policies and procedures (in the eyes of the employees).

Write-offs of Accounts Receivable - During the year, the process was to approve write-offs based on their dollar amounts after they had been entered into the system. Subsequent to September 30, 2007, the Hospital has changed the procedures so write-offs are approved before being entered into the system. This will allow for more timely identification of errors or improper write-offs. An additional control that should be considered is a retrospective review of write-offs made to patient accounts. Management is unaware of a system generated report that would detail write-offs posted for a specific time period. We recommend contacting CPSI to determine if a detailed write-off report could be created. If a report is unavailable, a print-out of activity to the write-off accounts in the general ledger would also be an option. This report could then be used to review write-offs on a continuous basis throughout the year. This would add an additional detection control for the cash receipt process due to some employees having the ability to post payments and write off accounts. A review of the write-offs posted would allow management to identify unapproved or improper write-offs.

Accounting Policies - The Hospital has several policies that appear outdated, and Bayside Village does not have an available accounting policies and procedures manual. We understand the Hospital is in the process of reviewing the policies. We concur that reviewing all policies and procedures for proper updates, additions, and deletions should be an area of priority. We also recommend the policies and procedures be dated each time they are reviewed to ensure that they are current and accurate.

Journal Entries - The Hospital's current process for reviewing manual journal entries is for the CFO to review entries made to cash accounts that result from the bank reconciliation process. Other manual journal entries are not reviewed. We recommend a formal review process be implemented to include written documentation of the preparer and reviewer. We suggest the CFO review all manual journal entries not just those that are posted to cash accounts. In addition, entries posted by the CFO should be reviewed by the CEO.

Billing - During our audit the Risk Manager recommended we review two areas in billing that were a concern to her, billing for drugs that are scanned and observation hours for patients transferred to inpatient. The Hospital changed their process in billing for observation hours during the year, which created the concern. We selected a sample of patients that were billed for observation hours and transferred to inpatient and found they were not being billed according to the new policy.

Exhibit B
Control Deficiencies (Continued)

We commend the Hospital on their ability to identify risky areas. We recommend that the Hospital take further action by doing internal audits on the areas they identify, especially after changes in policies are made. Specifically, we recommend the Hospital investigate the matter of billing for observation hours and educated all employees involved on the new procedures.

Exhibit C
New Auditing Standards

Major and comprehensive changes were made to the audit standards that are required to be compiled with by independent auditors. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules for hospitals into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

As a result, auditors are required to comply with very specific rules related to the form, content, and extent of audit documentation, including more thorough documentation of auditing procedures and results. Other new guidelines affect the audit evidence that must be obtained before an auditor can consider an audit complete.

Another new rule requires auditors to more formally communicate matters they observe about a clients' accounting procedures and internal controls. Auditors are now required to inform clients about any "significant deficiencies and control deficiencies" in accounting procedures or internal controls that come to their attention. Significant deficiency is a defined term that includes any flaw creating more than a remote risk of errors in financial statements that could reasonably matter to a user of the statements. Auditors must now communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for operations, in addition to management.

The remainder of the new audit standards will become effective for audits of financial statements dated December 31, 2007 and later. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules also will require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Exhibit C
New Auditing Standards (Continued)

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about your internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications you will receive from us about the results of our audit work, will enhance the value you receive from your financial statement audit.

Exhibit D
Community Benefit

Over the last few years, not-for-profit hospitals have come under increased scrutiny for the benefits they receive based on their tax-exempt status. More emphasis has been placed on measuring the magnitude of community benefit provided by the not-for-profit hospital as a demonstration of charitable status. Community benefits by nature are those services that identify a community need and are generally limited in profitability capacity or respond to specific constituents' needs within the less fortunate segment of the community.

In May of 2006, the IRS requested completion of over 500 surveys to tax-exempt hospitals inquiring about the level of community benefit they provide among other tax-exempt issues. The survey has been brought on by concerns of the IRS and Congress over exempt hospitals charge policy to self-pay patients, aggressive collection practices, and the increase of profit-making subsidiaries. There are several key sections of the survey:

- Is the difference between insurer payments and hospital charges being considered uncompensated care?
- The compensation of officers
- Whether or not the hospital has denied care to individuals with no insurance that have requested service
- Unlike a 2004 IRS compensation initiative for tax-exempt organizations, the new survey requests very specific financial data.
- In addition, the Senate Finance Committee announced its expectation that the survey should generate results, rather than simply serve as an informational request.

In addition to the survey, numerous bills have been introduced at both the federal level as well as by individual states seeking to establish minimum levels of charity care, creating greater transparency in pricing by hospitals, and attempting to control the level of charges to the uninsured.

Clearly, the development of a community benefit plan, identification of those services that are providing this benefit, and measurement of the success of the programs and plan, are all critical functions not-for-profit hospitals will be challenged with now and into the future. We recommend that the Hospital continue to review its own processes for identification of community benefits and to ensure that the members of management are aware of the various community benefit programs in place at the Hospital, should they receive inquiries from the public.